Nos. 14-1513 & 14-1520

IN THE

Supreme Court of the United States

HALO ELECTRONICS, INC.,

Petitioner,

v.

PULSE ELECTRONICS, INC., ET AL.,

Respondents.

STRYKER CORPORATION, ET AL.,

Petitioners,

v.

ZIMMER, INC., ET AL.,

Respondents.

On Writs Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit

BRIEF OF EMC CORPORATION AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENTS

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INTEREST OF *AMICUS CURIAE*[1]

Under this Court's precedents, enhanced patent damages always have been an extraordinary "vindictive or punitive" remedy reserved for "wanton or malicious" conduct. *Seymour* v. *McCormick*, 57 U.S. 480, 489 (1854). Although the Federal Circuit upheld enhanced damage awards violating these historical limits in the first quarter-century after its founding, in 2007 the court of appeals properly restored the rule that an award of "enhanced damages requires at least a showing of objective recklessness." *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc). Petitioners now challenge this rule, which comports with this Court's treatment of punitive damages and willfulness in other areas of the law.

Amicus curiae is a leading technology company, and has a substantial interest in the correct resolution of the question presented. EMC's primary business is developing, making, and selling a wide variety of complex hardware and software data storage products that are used to store today's exploding volume of digital information. EMC owns over 5,100 United States patents and recognizes the importance of protecting valid intellectual property rights. But amicus frequently is targeted by litigants with opportunistic accusations of willful patent infringe-

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[1] Pursuant to Supreme Court Rule 37.6, counsel for amicus curiae states that no counsel for a party authored this brief in whole or in part, and no person or entity other than amicus curiae or its counsel made a monetary contribution to this brief's preparation or submission. All parties have consented to the filing of this brief.

ment, despite amicus's lack of knowledge that any valid patent has been infringed. And the constant drumbeat of suits threatening a costly litigation process ending with a potential jury verdict trebling gargantuan damages creates a significant impediment to its ability to engage and innovate in its lines of business.

Yet patentees (more often than not, so-called non-practicing entities) frequently assert patents whose application to the accused products is subject to serious doubt. In these circumstances, companies like amicus often offer a reasonable defense that, if the patent is construed narrowly but reasonably, the product does not infringe, and if the patent is construed broadly enough to reach the product, the patent is invalid. In these circumstances, and many others, companies thus are forced to defend against claims of infringement, even when they have a reasonable basis for concluding that they do not infringe a valid patent.

Companies should not be subjected to enhanced damages in these or similar situations where they have not acted objectively recklessly. When a patent can reasonably be construed as invalid or not infringed, but a court later rejects that reading, the defendant should be liable only for "damages adequate to compensate for the infringement." 35 U.S.C. § 284. Enhanced damages should be reserved for rare situations, not available in the mine-run of cases where parties present reasonable opposing views of an ambiguous patent.

SUMMARY OF THE ARGUMENT

Petitioners would permit sizeable compensatory damage awards to be trebled in an unconfined variety of cases. This Court should reject petitioners' attempt to remove the historical limits on enhanced patent damages. Enhanced damages should be available only when the defendant's conduct is objectively reckless; their availability should be determined by the court, either on summary judgment or following the infringement verdict; and they should be limited to amounts proportionate to the reprehensibility of the defendant's conduct.

I. A system that allows juries to enhance damages even when the defendant offers an objectively reasonable defense is a system that gives non-practicing entities a weapon with which to coerce unjustified settlements from the successful companies that power our economy.

A. Under the Federal Circuit's prior regime, where enhanced damages were available whenever the district court found that the circumstances warranted, patent plaintiffs took this invitation to enhance their power at the expense of innovative firms. Non-practicing entities would follow strategies to confer supposed knowledge of the patent and intent to infringe onto defendants—such as sending letters informing companies of patents or asserting patents cited in the lengthy prosecution histories of practicing companies' numerous patents. Even where defendants likely would succeed on the merits, patentees would then use the threat of a burdensome trial with a potentially ruinous jury award of compensatory and enhanced damages to coerce settlements.

B. The threshold requirement of objective recklessness restored in *In re Seagate Technology, LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc), has reined in the negative consequences that resulted from the Federal Circuit's prior permissive enhanced damages regime. It has done so without chilling patent enforcement, which has actually increased since *Seagate*.

C. Were the Court to follow petitioners' suggestion and allow courts to award enhanced damages without a determination of objective recklessness, the problems attendant to a permissive enhanced damages regime would dramatically worsen. Non-practicing entities would be reinvigorated in their use of dubious patents to pressure practicing companies into paying unjustified settlements to avoid the possibility of enhanced damages.

II. Section 284 does not permit this tactic. It requires, at a minimum, a court determination of objective recklessness to enhance damages.

A. Historically, enhanced damages generally have been available only in cases of willful infringement, which requires proof of objective recklessness. Even if enhanced damages were proper in the absence of willful infringement, they still are punitive in nature. When a plaintiff wins its patent case, it is entitled to "damages adequate to compensate for the infringement"—even if the infringement was accidental. 35 U.S.C. § 284 ¶ 1. Any "increase" of this award is necessarily punitive. *Id.* ¶ 2. Because Section 284 lacks guidance on when punitive patent damages are proper, this Court should fill the gap as

it has done in interpreting similarly terse statutes by requiring at least a finding of recklessness.

B. Defendants who present a noninfringement or invalidity position that is reasonable as a matter of law must be able to obtain summary judgment precluding an enhanced damages award. Yet most patent suits, especially those brought by non-practicing entities, are filed in courts unwilling to grant summary judgment even when defendants are entitled to it. This Court should remind lower courts of their obligations under Rule 56. That would reduce the power of non-practicing entities to exact tribute from practicing companies.

C. If enhancement properly survives summary judgment, then, after the jury makes a finding of infringement and awards compensatory damages, the court should decide enhanced damages, including any factual questions not resolved by the jury verdict on infringement, validity, and compensatory damages. That is the allocation of responsibility set by Congress, and it is not unconstitutional.

D. Where the court does decide to award enhanced damages, it must ensure that the award comports with the due-process and common-law limits on punitive damages. In all but the most extraordinary patent cases, such damages should be no greater than the compensatory award.

E. Finally, the court's determination that enhanced damages are available should be reviewed de novo by the court of appeals, which can best assess the defenses' objective reasonableness.

ARGUMENT

Enhanced damages under Section 284 are a punitive supplement to the compensatory damages to which successful plaintiffs are entitled. To the extent such enhanced damages are available under any circumstances other than willful infringement, they must nonetheless satisfy the constitutional, statutory, and common-law limits on punitive damages. Thus, enhanced damages should not be available absent proof of objective recklessness. And, where awarded, they should rarely exceed the compensatory award. Judges, rather than juries, should make all determinations justifying the award beyond those factual findings necessarily decided by the infringement verdict.

Were these principles universally observed, the power of non-practicing entities to coerce excessive settlements would be reduced. By contrast, if enhanced damages were available as readily as petitioners suggest, that result would greatly enhance the power of non-practicing entities. Shell companies whose only business activity is to sue successful innovative firms would be able to wreak even greater havoc on the patent system than they have done to date. If a non-practicing entity could reach a jury by pointing to a letter announcing its belief that the defendant infringes its patent or to a citation to that patent in the prosecution history of one of the defendant's patents—regardless of the reasonableness of the defenses—the inevitable outcome would be more meritless patent litigation, more runaway verdicts, and a greater drain on innovation.

I. PERMITTING AN AWARD OF ENHANCED DAMAGES WHENEVER A COURT CONCLUDES THAT SUCH AN AWARD IS JUSTIFIED BY WHATEVER CIRCUMSTANCES IT IDENTIFIES WOULD MASSIVELY INCREASE THE POWER OF NON-PRACTICING PROFESSIONAL PATENT LITIGANTS.

The Constitution grants Congress the power to issue "exclusive Right[s]" to "Inventors" in order to "promote the Progress of Science and useful Arts." U.S. Const. art. I, § 8, cl. 8. In recent years, however, "[a]n industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees." *eBay Inc.* v. *MercExchange, L.L.C.*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring). Such non-practicing entities frequently "use patents as a sword to go after defendants for money, even when their claims are frivolous." *Commil USA, LLC* v. *Cisco Sys., Inc.*, 135 S. Ct. 1920, 1930 (2015). These practices are transforming the patent system from a tool "to encourage innovation" (*Bonito Boats, Inc.* v. *Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989)) into a club that threatens innovative companies (*Commil*, 135 S. Ct. at 1930).

Just last Term, this Court warned that non-practicing entities often pursue their "tactic" of intimidation by sending "demand letters" to targeted practicing companies. *See Commil*, 135 S. Ct. at 1930. Such notice letters "assert vague claims of infringement," at most, without analysis showing that the defendant's product or activity meets the claim limitations. *Ibid.* (citation omitted). Indeed, in ami-

cus's experience, these letters often are *purposefully* vague, in an attempt to prevent the targeted company from seeking a declaratory judgment that the patent is not infringed or invalid. One goal of these letters is "to obtain payments that are based more on the costs of defending litigation than on the merit of the patent claims." *Ibid.* (citation omitted). They are often "sent very broadly and without prior investigation," in the hopes of gaining a quick licensing fee in lieu of litigation. *Ibid.* (citation omitted).

As wielded by non-practicing entities, however, notice letters also serve an even more pernicious purpose. If the target of the letter decides to take its chances in court, the non-practicing entity argues that the letter put the defendant on notice of the patentee's view that the defendant was committing patent infringement, and invites the jury to infer that the infringement was therefore willful and enhanced damages should be awarded.

Similarly, non-practicing entities also frequently elect to assert patents listed among the thousands inevitably cited during prosecution of a practicing company's patent applications, and then argue that the company had "knowledge" of that patent and its relevance.

The Federal Circuit reined in these tactics when it finally abandoned its former permissive regime for enhanced damages and restored the threshold requirement of objective recklessness. Yet abuse persists. Given the ubiquity of non-practicing entities and vague patents (especially in the technology sector) today, a new permissive regime would "impose a harmful tax on innovation" even greater than the

prior one. *Commil*, 135 S. Ct. at 1930 (quotation marks omitted).

A. Historically, A Permissive Enhanced Damages Regime Has Benefited Non-Practicing Entities And Harmed Innovation.

Experience has shown the harms that would result from a standard that makes enhanced damages available in a broad array of circumstances. Patent plaintiffs thrived, and innovation suffered, in the decades following *Underwater Devices Inc.* v. *Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983). Decided shortly after the creation of the Federal Circuit, *Underwater Devices* had imposed upon any "potential infringer" with "actual notice of another's patent rights" an "affirmative duty to exercise due care to determine whether or not he is infringing." *Id.* at 1390. As one commentator explained, "perhaps the most alarming consequence of the duty of due care standard was that it had facilitated 'opportunities for abusive gamesmanship' by certain patentees." Brian Ferguson, Seagate *Equals Sea Change: The Federal Circuit Establishes a New Test for Proving Willful Infringement and Preserves the Sanctity of the Attorney-Client Privilege*, 24 Santa Clara Computer & High Tech. L.J. 167, 173 (2007). Patentees would send letters with copies of the patent "to large numbers of potential defendants and demand the companies buy a license to the patent without providing any analysis or other rationale." *Ibid.* Under *Underwater Devices* and its progeny, this manufactured "'knowledge' of the patentee's rights, satisfying the notice requirement, exposed the recipients to an increased threat of willful infringement under the duty

of due care standard, even when the companies were provided no real basis for believing they were infringing the patent in question." *Ibid.*

The notice-letter tactic was widespread in the years when *Underwater Devices* was the law. Companies "were receiving up to *ten letters a day* from patent holders alleging infringement." Christopher Ryan Lanks, In re Seagate: *Effects and Future Development of Willful Patent Infringement*, 111 W. Va. L. Rev. 607, 635 (2009) (emphasis added).

And it was effective. Willfulness was found in 63.8% of cases during the *Underwater Devices* regime—about double the percentage today. Christopher B. Seaman, *Willful Patent Infringement and Enhanced Damages After* In re Seagate: *An Empirical Study*, 97 Iowa L. Rev. 417, 444 (2012). Even in cases where the allegation of infringement was weak, the threat of trebled damages created a powerful and unjust incentive for defendants to settle. "Many companies viewed the risk of treble damages in a later litigation as unacceptable, and would agree to pay the patentee for a license that they arguably did not need." Ferguson, *supra*, at 173. The attractiveness of this tactic for non-practicing patent-enforcement entities led to substantial increases in patent litigation and dramatically enhanced the settlement value and litigation risk associated with even borderline patent suits. *See ibid.*

Underwater Devices also disrupted the confidentiality of attorney-client communications by placing powerful pressure on defendants to waive attorney-client privilege in order to assert advice-of-counsel defenses. Because opinion letters were virtually re-

quired, yet their production would waive privilege, these supposed "opinions of counsel" could not provide the full candor clients needed to "mak[e] informed business decisions": They were mere "window-dressing." Ferguson, *supra*, at 172.

Not only were practicing companies prevented from relying on the forthrightness of their counsel; they were inhibited even from conducting their own patent searches. As commentators explained, because "the mere knowledge of an existing patent could be enough to trigger a claim of willfulness," the "possibility of finding such a patent discouraged some companies from conducting patent searches, in spite of the fact that by doing so, such companies might have avoided infringement." Kevin Raudebaugh, *Willful Infringement After* Seagate: *How the Willfulness Standard Has Changed and What Attorneys Should Know About It*, 5 Shidler J. L. Com. & Tech. 20, 10 (2009).

Underwater Devices also frustrated one of the core purposes of the patent system—to disseminate to "the people" the "knowledge of the invention" through the "disclosure" accompanying the patent. *Bonito Boats*, 489 U.S. at 151 (citation omitted). In 2003, the heyday of the permissive enhanced-damages regime, the Federal Trade Commission warned that "fear of willfulness charges works to undermine the patent system's disclosure goals by discouraging third parties from reading patents." Fed. Trade Comm'n, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy*, ch. 5, at 30 (2003), *available at* http://www.ftc.gov/os/2003/10/innovationrpt.pdf ("FTC 2003 Report"). When the public was deterred

not only from reading, but even from searching for, patents, patents were no longer conduits of knowledge and the patent system's "carefully crafted bargain" was disrupted in favor of the patent holder. *Bonito Boats*, 489 U.S. at 150.

B. *Seagate*'s Threshold Requirement Of Objective Recklessness Mitigated The Problems Caused By The Federal Circuit's Former Permissive Regime.

In 2007, the Federal Circuit reduced these problems by overruling *Underwater Devices*. *See In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc). *Seagate* held that "proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness." *Id.* at 1371. "The state of mind of the accused infringer is not relevant to this objective inquiry." *Ibid.*[2]

Seagate's threshold requirement for proof of objective recklessness has played an important role in limiting the extortionate demands of non-practicing plaintiffs; after *Seagate*, threats of trebled damages were dampened in cases where non-infringement defenses were substantial. Writing in the years following the decision, commentators noted that *Seagate* reduced the ability of patentees "to place alleged infringers in a catch-22" of choosing between waiving privilege and incurring enhanced damages. Lanks, *supra*, at 639. It thus curbed non-practicing entities'

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[2] The court further held that, "[i]f this threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk" was subjectively "known" by the accused infringer or else "so obvious that it should have been known." *Seagate*, 497 F.3d at 1371.

ability "to force alleged infringers into settlement." *Ibid.* And *Seagate* mitigated another double-bind that practicing entities had faced in the *Underwater Devices* era: It "eliminated the threat of a future charge of willfulness as a reason to avoid clearance searches." Raudebaugh, *supra*, at 10.

Seagate achieved these ends while preserving the value of patents. Any fears that "patent rights might be devalued" with an objective recklessness threshold (LES Br. 31) are refuted by post-*Seagate* history. Indeed, recent years have seen more patent litigation than ever before, including litigation brought by non-practicing entities. *See* RPX, *2015 NPE Activity Highlights* 4-5 (2016), *available at* http://www.rpxcorp.com/wp-content/uploads/sites/2/2016/01/RPX-2015-NPE-Activity-Highlights-FinalZ.pdf.

C. Re-introducing A Permissive Enhanced Damages Regime Today Would Greatly Enhance The Power Of Non-Practicing Entities To Stifle Practicing Companies From Innovating.

The current plague of litigation brought by non-practicing entities makes it all the more urgent that the Court not add new weapons to their arsenal. If, as petitioners suggest, *Seagate*'s limitation of enhanced damages to willful infringement constrains district courts' discretion to award enhanced damages in appropriate cases (Halo Br. 19-21; Stryker Br. 26-34, 44-45), their proposed "flexible, totality-of-the-circumstances inquiry" (Stryker Br. 17; *accord* Halo

Br. 27) swings the pendulum too far in the other direction.

Petitioners' totality-of-the-circumstances inquiry, the test "most feared by litigants who want to know what to expect" (*United States* v. *Mead Corp.*, 533 U.S. 218, 241 (2001) (Scalia, J., dissenting)), would chill innovation, not encourage it. A test that makes enhanced damages available whenever a court determines that the "totality of the circumstances" warrant (Halo Br. 10; Stryker Br. 14) would worsen the pernicious consequences that led the Federal Circuit to abandon such a permissive approach to enhanced damages.

1. Petitioners' Approach Would Aggravate Non-Practicing Entities' Forum-Shopping Practices.

The rise of non-practicing entities with their choice of favorable district courts has exacerbated the harmful consequences caused by a discretionary regime. Under 28 U.S.C. § 1400(b) as construed by the Federal Circuit, patentees can file an "action for patent infringement" in any district where infringement allegedly occurs and the defendant conducts regular business. Because technology companies typically offer their products and services nationally, if not globally, patentees have their choice of venue when suing technology firms. *See* Jonas Anderson, *Congress as a Catalyst of Patent Reform at the Federal Circuit*, 63 Am. U. L. Rev. 961, 985-86 (2014).

Non-practicing entities—typically shell companies with few or no employees to inconvenience and near-limitless ability to reincorporate and establish supposed principal offices anywhere—can and do se-

lect their venue based principally on the perceived favorability of the district court to their cause. *See* Seaman, *supra*, at 449-50. Certain judicial districts have acquired reputations for allowing more cases to proceed to trial, finding willful infringement more frequently, and awarding higher damages than other forums.[3] And it is in those forums that non-practicing entities most often bring their patent infringement suits. Seaman, *supra*, at 449-50.

Indeed, one court—the Eastern District of Texas—"has vastly more patent disputes than any other district court," virtually becoming a specialized patent court. Joe Mullin, *Trolls Made 2015 One of the Biggest Years Ever for Patent Lawsuits*, ArsTechnica (Jan. 5, 2016), http://arstechnica.com/tech-policy/2016/01/despite-law-changes-2015-saw-a-heap-of-patent-troll-lawsuits. Over 50% of patent suits brought in recent months have been filed in the Eastern District of Texas. Jeff Bounds, *Patent Suits Flood East Texas Court*, Dallas Morning News (Dec. 13, 2015), http://www.dallasnews.com/business/headlines/20151213-patent-suits-flood-east-texas-court.ece. And in 2015, one of the most active years for patent litigation, over two-thirds of cases were filed by non-practicing entities—and those non-practicing entities chose the Eastern District of Tex-

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[3] *See* Daniel Klerman & Greg Reilly, *Forum Selling*, 2015 S. Cal. L. Rev. (forthcoming), http://ssrn.com/abstract=2538857 at 10-12 (comparing summary judgment rates); Seaman, *supra*, at 450-51 (comparing rates of findings of willful infringement); Brian C. Howard, Lex Machina 2014 Patent Litigation Year in Review 24 (2015), *available at* http://pages.lexmachina.com/rs/lexmachina/images/2014%20Patent%20Litigation%20Report.pdf ("Lex Machina 2014 Report") (comparing damages awards).

as to sue over 60% of their targets. *See* RPX, *supra*, at 4-5, 9.

A discretionary enhanced-damages regime would aggravate this epidemic. Courts that have built their names—and their local economies—on attracting patent litigation can be expected to exercise their discretion to encourage plaintiffs to choose their districts. *See* Public Knowledge Br. 13-18. They are especially likely to do so if unchecked by meaningful appellate review. *See infra*, Part II.E. That would exacerbate the problems inherent in forum-shopping, such as undermining confidence that our legal system operates without unfair bias. Public Knowledge Br. 15-16.

2. Petitioners' Approach Also Would Enable Non-Practicing Entities To Threaten Expensive And Unpredictable Trials On Enhanced Damages.

Any court that predictably exercises its discretion to disproportionately favor enhanced damages—or even to deny summary judgment precluding enhanced damages, *see* Part II.B, *infra*—will enable plaintiffs to credibly threaten trebled damages even in weak cases.

Plaintiffs have devised many strategies to support these threats. Plaintiffs often will select for assertion patents in their portfolio that appear in the file history of any one of the defendant's thousands of patents and patent applications, and assert that the defendant thus "knew" of the patent. Such arguments ignore the realities of patent prosecution. EMC has over 5,100 United States patents and over 2,800 pending applications. Each one will generally

have a dozen or so references cited in its prosecution history. Under petitioners' standard, plaintiffs would be able to argue to a jury that the defendant thus "knew" of each such patent and its relevance. Courts sometimes permit these arguments (*see, e.g.*, *Veritas Operating Corp.* v. *Microsoft Corp.*, 562 F Supp. 2d 1141, 1277 (W.D. Wash. 2008)), even though the patent is but one of thousands of patents cited each year and typically known only to outside patent counsel. *But see Cortelyou* v. *Charles Eneu Johnson & Co.*, 207 U.S. 196, 201 (1907) (notice to defendant's employee is not attributable to defendant where employee "was not an officer or general agent of the defendant company"). Or plaintiffs may rely on notice letters.

Armed with such threats, non-practicing entities will file ever more litigation and coerce even more excessive settlements than before. Indeed, Halo urges this Court to endorse this practice, contending that a "defendant that learns of a patent ... through letters from the patent owner is plainly more culpable" and thus can be made liable for enhanced damages under its "flexible" test. Halo Br. 27 [4]

Yet just last Term, in enunciating the standard of intent required for inducement liability, this Court

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[4] Stryker appears to disagree, contending that "[e]nhancement may be less appropriate ... when requested by a patentee that relies on the threat of treble damages in order to exact exorbitant licensing fees from practicing entities." Stryker Br. 43. This dispute highlights the forum-shopping potential petitioners' totality-of-the-circumstances approach would create: District courts can be expected to disagree about what standards to apply at least as much as petitioners disagree with each other.

warned that such tactics employed by non-practicing entities "can impose a harmful tax on innovation." *Commil*, 135 S. Ct. at 1930 (quotation marks omitted). Although the Court ruled that such concerns did not require proof that an accused inducer knew that a patent was *valid* to establish inducement—in part thanks to the new "avenues that accused inducers have to obtain rulings on the validity of patents"—the Court reaffirmed that liability for indirect infringement "requires proof the defendant knew the acts were infringing." *Id.* at 1928, 1931. Thus, "if the defendant reads the patent's claims differently from the plaintiff, and that reading is reasonable," the defendant cannot be secondarily liable for infringement committed by another. *Id.* at 1928.

Similarly, a defendant should not be liable for enhanced damages if the patent is reasonably read not to cover its activities. If an objectively reasonable non-infringement position could not defeat a patentee's claim for enhanced damages, then patentees regularly would be able to invite the jury to infer from a defendant's failure to offer opinions of counsel that the defendant subjectively knew itself to be infringing, and thereby obtain enhanced damages. *See* Halo Br. 29 (contending that Pulse's decision to offer only an "analysis by a non-lawyer who knew nothing about the relevant legal principles," rather than opinion of counsel, supports enhanced damages).

With an objective recklessness requirement, however, defendants do not need to disprove their subjective intent to a jury. Thus, under current Federal Circuit law, "there is no affirmative obligation to obtain opinion of counsel" (*Seagate*, 497 F.3d at 1371); the defendant may rely on the objective rea-

sonableness of its non-infringement position. That has been "a welcome development" in patent law. Ferguson, *supra*, at 182. And *Seagate* reduced the impingement on the attorney-client relationship associated with the potential need to disclose opinions of counsel, as was previously required to defend against a charge of willfulness. *Ibid.*

Adhering to the requirement that a patentee must demonstrate that the defendant's position was objectively unreasonable to defeat a motion for summary judgment eliminating enhanced damages would further "simplify the case for both the parties and the court by removing the often complex issues associated with determining the scope of any waiver." Ferguson, *supra*, at 182. Moreover, without the need to disclose opinions of counsel to remove enhanced damages from the case, "the amount of discovery that would take place" would be reduced. *Ibid.* "The net result would be a decrease in the cost of patent litigation for everyone involved." *Ibid.*

These practical considerations, well known to amicus, counsel strongly against adopting petitioners' overbroad reading of Section 284.

II. SECTION 284 REQUIRES AT LEAST A DETERMINATION OF OBJECTIVE RECKLESSNESS, MADE BY THE COURT AND REVIEWED DE NOVO.

Rather than permitting patent plaintiffs to threaten every defendant with possible enhanced damages, Section 284 requires plaintiffs to prove objective recklessness, at a minimum, to obtain enhanced damages. Objective recklessness is the *sine qua non* of enhanced damages because such damages

are punitive additions to—indeed, multipliers of—the compensatory award. Punitive damages are not available where the defendant takes an objectively reasonable position that it is not violating the plaintiff's rights. If a court later finds the defendant's reasonable view to be mistaken, the plaintiff is entitled to compensatory damages, not vindictive ones.

Moreover, where the defendant's position is objectively reasonable as a matter of law, the district court must grant summary judgment precluding enhanced damages. If enhanced damages cannot be ruled out at summary judgment, then the judge should decide the availability and amount of enhanced damages after the compensatory verdict, subject to the constraints on punitive damages and to de novo review. Thus, this Court should clarify that the Federal Circuit is correct to allocate the "threshold determination of objective recklessness" to the judge, reviewed de novo (*Bard Peripheral Vascular, Inc.* v. *WL Gore & Assocs.*, 682 F.3d 1003, 1006-08 (Fed. Cir. 2012)); but it is incorrect to permit "the jury" to find other facts underlying the enhanced damages determination, "reviewed for substantial evidence" (*id.* at 1008).

A. Because Enhanced Damages Under Section 284 Are Punitive, Section 284 Requires At Least Proof Of Objective Recklessness.

Under Section 284, enhanced damages are a punitive remedy available in addition to compensatory damages in justified cases. Proof of objective recklessness is required for such punitive enhancements

across the spectrum of American law. Patent law is no exception.

1. Historically, Enhanced Damages Have Been Limited To Cases Of Willful Infringement.

The primary historically recognized basis for enhanced damages in patent cases always has been willful infringement. As far back as 1854, this Court explained that "there is no good reason why taking a man's property in an invention should be trebly punished" unless "the injury is wanton or malicious." *Seymour* v. *McCormick*, 57 U.S. 480, 488-89 (1854); *accord, e.g.*, *Livingston* v. *Woodworth*, 56 U.S. 546, 560 (1854) (it is inappropriate to impose "any consequences in the nature of a penalty" on defendants who are not "wanton infringers"); *Cincinnati Siemens-Lungren Gas Illuminating Co.* v. *W. Siemens-Lungren Co.*, 152 U.S. 200, 204 (1894) (similar); *Corning* v. *Burden*, 56 U.S. 252, 271 (1854) (similar).

As this Court has since formulated that principle, a patent owner can recover "treble damages for willful infringement." *Dowling* v. *United States*, 473 U.S. 207, 227 n.19 (1985); *see also Safeco Ins. Co. of Am.* v. *Burr*, 551 U.S. 47, 57 (2007) ("the terms 'willful,' 'wanton,' and 'reckless,' ... have been treated as meaning the same thing" (citation omitted)). Cases before and after have reiterated that principle, as the Federal Circuit recounted in *Seagate*. 497 F.3d at 1368.

To obtain enhanced damages on the basis of willfulness, a patentee must show at least recklessness. *See Safeco*, 551 U.S. at 57-60, 68-70. That is how

this Court has defined "willful" violations in interpreting statutes and it also "reflects common law usage" where no statutory provision applies. *Id.* at 57. As the Court has explained, the baseline of recklessness requires "conduct violating an objective standard: action entailing 'an unjustifiably high risk of harm that is either known or so obvious that it should be known.'" *Id.* at 68. That is the meaning of recklessness under "the common law." *Id.* at 68-69.

The Federal Circuit thus was entirely correct in *Seagate* in "hold[ing] that proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness." 497 F.3d at 1371. And it was equally correct about the meaning of this objective recklessness standard in the context of patent cases: "to establish willful infringement, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent." *Ibid.*

2. Even If Enhanced Damages Were Appropriate In Other Cases, Such Damages Are Punitive In Nature.

Whether or not confined to cases of willful infringement, it is well settled that enhanced damages under Section 284 are punitive in nature and must be carefully cabined as such. Since its earliest cases on enhanced patent damages, this Court has described them as "vindictive or punitive damages." *Seymour*, 57 U.S. at 489; *Tilghman* v. *Proctor*, 125 U.S. 136, 144 (1888); *Root* v. *Ry. Co.*, 105 U.S. 189, 196 (1882).

The current version of the Patent Act continues this approach, treating enhanced damages as a punitive addition that the court may award on top of compensatory damages in appropriate cases. Section 284 provides that "[u]pon finding for the claimant the court shall award the claimant damages *adequate to compensate for the infringement*." 35 U.S.C. § 284 ¶ 1 (emphasis added). After these compensatory damages are assessed, "the court may increase the damages up to three times the amount found or assessed." *Id.* § 284 ¶ 2.

As the FTC explained in its 2011 report on the patent system, damages awarded under the compensatory provision of paragraph 1 make the patentee whole. Any additional "punitive" awards are left for the "enhanced damages" provision of paragraph 2, "which target[s] only intentional and not inadvertent infringement." Fed. Trade Comm'n, *The Evolving IP Marketplace* at 174 (2011), *available at* https://www.ftc.gov/sites/default/files/documents/reports/evolving-ip-marketplace-aligning-patent-notice-and-remedies-competition-report-federal-trade/110307patentreport.pdf ("FTC 2011 Report"). Accordingly, this Court has described damages under paragraph 2 as "punitive or 'increased' damages." *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476, 508 (1964); *see also Fla. Prepaid Postsecondary Educ. Expense Bd.* v. *Coll. Sav. Bank*, 527 U.S. 627, 648 n.11 (1999).

This design reflects the goal of the patent system to provide, in the absence of a punitive remedy, damages "adequate to compensate for the infringement," but no more. 35 U.S.C. § 284. As the FTC explained, "[o]vercompensation compared to the market reward

can distort competition among technologies." FTC 2011 Report at 141. The Commission warned that the "threat of high damages" may generate unjust settlements whose expenses will "be passed on to consumers." *Id.* at 145. "Patent damages that over-compensate patentees compared to the market reward incentivize speculation through the purchase and assertion of patents in litigation." *Id.* at 146. When such damages are on the table, companies feel compelled to take licenses, rather than levelling "socially beneficial challenges to invalid[ate] or narrow patents, which also raises the cost of innovation." *Ibid.* In addition, were damages beyond those necessary to compensate the patent-holder available in run-of-the-mill cases, this would damage "R&D efforts, which can decrease innovation." *Ibid.*

3. Punitive Damages Require Proof Of Objective Recklessness.

Given the punitive nature of enhanced damages under Section 284, a showing of objective recklessness is necessary. This Court's cases involving punitive awards under other federal statutes that do not specify a standard establish that recklessness is the minimum showing for such an award. For example, in *Smith* v. *Wade*, 461 U.S. 30 (1983), this Court held that, because Section 1983 implicitly made punitive damages available without specifying any standards governing the award of such damages (*id.* at 35-36), "the common-law rule"—that "punitive damages" require a showing of "reckless indifference to the rights of others"—governs. *Id.* at 38-55 & nn.8-13.

Accordingly, the existence of objectively reasonable invalidity or non-infringement defenses (includ-

ing those based on alternative claim constructions) will preclude enhanced damages. Under *Safeco*, "when the [defendant]'s reading of the [patent] is objectively reasonable" and would provide a valid defense, the defendant has not acted with the objective recklessness needed to support punitive damages. 551 U.S. at 70 n.20. Thus, where a defendant asserts an objectively reasonable noninfringement or invalidity position—even one that a court later rules is "erroneous"—it cannot be liable for enhanced damages. 551 U.S. at 69.

That has long been the rule. The regional circuits did not permit enhanced damages "where the validity of the patent and any possible infringement [wa]s open to honest doubt." *Wilden Pump & Eng'g Co.* v. *Pressed & Welded Prods. Co.*, 655 F.2d 984, 989 (9th Cir. 1981) (citation omitted); *see also* Askeladden Br. 21 (collecting cases). *Underwater Devices* was the aberration, which the Federal Circuit corrected in *Seagate*. *See* Zimmer Br. 19-26, 34-43.

Adherence to the objective recklessness requirement is essential to prevent enhanced damages from wreaking havoc on the innovation the patent system is supposed to encourage. There are nearly 2.5 million U.S. patents in force, a number that has been growing by 200,000-plus each year. Dennis Crouch, *The Number of U.S. Patents in Force*, PatentlyO, http://patentlyo.com/patent/2014/10/number-patents-force.html (updated Oct. 25, 2014). Whenever a technology company introduces a new product or service, there inevitably is a background risk that some facet of the new product or service implicates one or more of these millions of patents; but often it

reasonably appears that the asserted patent is invalid or not infringed. Were companies, like amicus, potentially exposed to punitive damages in such situations, that would harm innovation, not foster it. FTC 2011 Report at 174-75. A practicing company with an objectively reasonable reading of the patent should not face the coercive pressure of enhanced damages.

B. Courts Must Grant Summary Judgment Precluding Enhanced Damages Where Defendants Take Reasonable Noninfringement Or Invalidity Positions.

Although *Seagate* requires proof of objective recklessness, companies with objectively reasonable defenses still face the coercive pressure of enhanced damages verdicts because, in the districts where patent suits most often are filed, summary judgment is improperly disfavored. In cases where the defendant has objectively reasonable defenses of noninfringement or invalidity (often based on claim construction), those courts do not hold patentees to their burden at the summary judgment stage of establishing objective unreasonableness, as required by *Celotex Corp.* v. *Catrett*, 477 U.S. 317, 324 (1986).

Indeed, certain courts sometimes "requir[e] parties to submit briefs to seek permission to file summary judgment motions" or simply maintain "a norm shared by the district's judges to grant summary judgment motions rarely." J. Jonas Anderson, *Court Competition for Patent Cases*, 163 U. Pa. L. Rev. 631, 655, 674-75 (2015).

In districts unwilling to implement Rule 56 and *Celotex* in patent cases, patentees routinely are permitted to get to the jury with cases based only on inferences drawn from alleged knowledge of the *existence* of a patent. *See* Seaman, *supra*, at 451. Non-practicing entities predictably choose such districts that will enable them to get to trial and threaten defendants with the risk of a sizeable jury verdict that may then be trebled. *See supra*, Part I.C.

As a practical matter, this often puts a defendant to the choice of either settling the case or waiving the attorney-client privilege so it can defend itself against assertions of actual knowledge by presenting evidence that it believed it was not infringing. This double-bind, combined with the massive expense of patent litigation, generates a powerful incentive to settle.

It also predictably affects the candor of the advice that in-house and outside counsel provide their clients when they are asked to review and advise on a notice letter. Knowing that they will need to disclose their opinion letter or else face a jury invited to infer that their failure to produce the letter supports enhanced damages, counsel may be unable to give their clients impartial legal advice. *See* Ferguson, *supra*, at 172.

Finally, it discourages practicing companies from conducting thorough prior art searches and citing the results to the PTO when they file their own patent applications. If they will be charged with "knowledge" of the existence and relevance of any patent they cite, even in completely unrelated contexts,

they may be highly cautious about finding and citing such patents. *See* FTC 2003 Report, ch. 5, at 30.

To mitigate these problems, this Court should reiterate that district courts must grant summary judgment precluding enhanced damages where the defendant presents an objectively reasonable defense or the plaintiff otherwise fails to meet its burden under *Celotex*.

C. When Summary Judgment Is Not Available, The Court Should Make All Factual And Discretionary Determinations Relevant To Enhanced Damages That Remain After The Jury's Award Of Compensatory Damages.

Current Federal Circuit law requires the district court to decide whether a defense is objectively reasonable, but allows the jury to make other "finding[s]" "underlying" the enhanced damages determination. *Bard*, 682 F.3d at 1007-08. Under Section 284 and Federal Rule of Civil Procedure 52, however, *all* underlying questions not already decided by the infringement verdict are for the judge. That is how enhanced patent damages have been determined for centuries. The Seventh Amendment does not prohibit this longstanding practice, dictated by Congress.

1. Section 284 Explicitly States That The Court Shall Decide Whether To Enhance Damages After The Jury Awards Compensatory Damages.

The text of Section 284 commits the *entire* question whether to enhance damages to the court. The statute contemplates that the "jury" may find com-

pensatory damages, but it explicitly provides that only the "*court* may increase the damages up to three times the amounts found or assessed." 35 U.S.C. § 284 (emphasis added).

Because the decisions whether to enhance damages, and by how much, are for the court, any factual questions relevant only to a patentee's request for enhanced damages should be tried only to the court under Rule 52. The court should hear this evidence after the jury makes a finding of infringement and awards compensatory damages. There is nothing unusual about the bifurcated procedure required by § 284. For example, before the jury finds whether the defendant has infringed the claims, the court determines the meaning of the claims. *See Markman* v. *Westview Instruments, Inc.*, 517 U.S. 370, 377-91 (1996). Even though the "mongrel practice" (*id.* at 378) of claim construction has underlying factual components, it is still for the court to decide those factual questions without a jury, pursuant to Rule 52. *Teva Pharm. USA, Inc.* v. *Sandoz, Inc.*, 135 S. Ct. 831, 837-38 (2015).

This has long been the rule for enhanced damages as well. In *Day* v. *Woodworth*, for example, the patentee objected to an instruction allowing the jury to find only "actual damages." 54 U.S. 363, 371 (1852). The Court acknowledged that in common-law trespass cases, "a jury may inflict what are called exemplary, punitive, or vindictive damages upon a defendant," but explained that this is not the rule for patent cases. *Ibid.* "The only instance where this power of increasing the 'actual damages' is given by statute is in the patent laws of the United States. But there *it is given to the court and not to the jury*."

Id. at 372 (emphasis added). The Court explained how this bifurcated system operated: First, "[t]he jury must find the 'actual damages' incurred by the plaintiff." *Ibid.* Then, "if, *in the opinion of the court*, the defendant has not acted in good faith, or has been stubbornly litigious, or has caused unnecessary expense and trouble to the plaintiff, the court may increase the amount of the verdict, to the extent of trebling it." *Ibid.* (emphasis added).

The Court reaffirmed this procedure eight years later, using almost identical language, in *Teese* v. *Huntingdon*, 64 U.S. 2, 9 (1860). And in *Seymour*, the Court again held that "[t]he power to inflict vindictive or punitive damages *is committed to the discretion and judgment of the court* within the limit of trebling the actual damages found by the jury." 57 U.S. at 489 (emphasis added).

Thus, today's Patent Act, like its predecessors, commits the question whether to enhance damages—along with all predicate questions of fact—to the court. Where a jury has found infringement, it is not also within the province of the jury to evaluate whether the defendant's non-infringement defenses were objectively *reasonable*; that is a question for "the court," whether it be factual or legal in nature. 35 U.S.C. § 284. The Federal Circuit is therefore correct that "the judge remains the final arbiter of whether the defense was reasonable." *Bard*, 682 F.3d at 1007-08.

But the court of appeals is wrong to view other underlying findings, such as "subjective willfulness," as ones for the jury. *Bard*, 682 F.3d at 1008. The accused infringer's mental state is irrelevant to any

question of direct infringement to be put before the jury, because "[d]irect infringement is a strict-liability offense." *Commil*, 135 S. Ct. at 1926. And even in cases alleging indirect infringement, the defendant's "belief as to invalidity" is not relevant to the question for the jury. *Id.* at 1929. Thus, *both* whether any defenses are objectively reasonable *and* whether any invalidity defenses are sincerely held should be resolved only by the court as part of its enhanced damages analysis.

If district courts were consistently to follow this procedure, it would reduce the power of a non-practicing entity to coerce settlement by threatening to sue in a court where its case will reach a jury and to invite that jury to find the factual predicates necessary for enhanced damages based on nothing more than receipt of a notice letter. *See* FTC 2011 Report at 176. That is in large part because "judges are much less likely to find willfulness than juries" under the appropriate standard. Seaman, *supra*, at 464.

This Court should clearly reiterate what it has stated since the 1850s: that, under the statute, the court makes the findings justifying enhanced damages that are not inherent in the jury's infringement verdict.

2. Congress's Allocation Of Responsibility Is Not Unconstitutional.

The Seventh Amendment does not call into question Congress's longstanding assignment to district courts of the power to make all determinations justifying enhanced damages. As the Court explained in *Markman*, the historical record contains only a "mere

smattering of patent cases," "destitute of any decision of importance," "from th[e] period" preceding the adoption of the Seventh Amendment. 517 U.S. at 379-81 (citation omitted); *accord* H.I. Dutton, *The Patent System and Inventive Activity During the Industrial Revolution, 1750-1852* 71 (1984). In these cases, "few juries were initially seen." Daniel P. Sullivan, *Must the Jury Reach a Verdict? The Constitutionality of Eliminating Juries in Patent Trials by Creating an Article I Tribunal*, 7 J. Marshall Rev. Intell. Prop. L. 754, 762 (2008).

In particular, "[n]o case" has been "found in which a British jury addressed the issue of increased awards or punitive damages in a patent infringement case." John B. Pegram, *The Willful Patent Infringement Dilemma and the 7th Amendment*, 86 J. Pat. & Trademark Off. Soc'y 271, 280 (2004). And, as explained in Part II.C.1, *supra*, when "cases from this Court ... first reveal actual practice, the practice revealed is of the judge" deciding whether to award enhanced damages. *Markman*, 517 U.S. at 382; *see Day*, 54 U.S. at 372; *Seymour*, 57 U.S. at 489; *Teese*, 64 U.S. at 9.

Moreover, considering "the relative ... skills of judges and juries and the statutory policies that ought to be furthered by the allocation," it is clear that judges are better suited to decide the availability and amount of enhanced damages. *Markman*, 517 U.S. at 384. As commentators have explained, because of the complexities of patent litigation, juries are not well equipped to determine whether an accused infringer acted with *objective* recklessness, and so the Seventh Amendment should not apply to the enhanced-damages inquiry. Sullivan, *supra*, at 758-

59; Pegram, *supra*, at 283-84. The Federal Circuit, which specializes in these cases, also "believe[s] that the court is in the best position for making the determination of reasonableness." *Bard*, 682 F.3d at 1006. Empirical analyses of jury willfulness verdicts, as well as the often convoluted jury instructions that produce them, confirm that "juries have a very different understanding of what conduct is 'willful'" from that dictated by the law. Seaman, *supra*, at 446-49.

Congress's longstanding allocation to judges of responsibility for enhancing damages in patent cases is thus constitutional.

D. Due Process And Common-Law Limitations On Punitive Awards Constrain Enhanced Damages Under Section 284.

Where a judge does award enhanced damages, these punitive additions to the "damages adequate to compensate for the infringement" (35 U.S.C. § 284; *see also Seymour*, 57 U.S. at 489; *Tilghman*, 125 U.S. at 144) must be subject to the constraints that apply to punitive damages.

Under the Due Process Clause, "courts must ensure that the measure of punishment is both reasonable and proportionate to the amount of harm to the plaintiff and to the general damages recovered," and that the "reprehensibility of the defendant's conduct" justifies the size of the award. *State Farm Mut. Auto. Ins. Co.* v. *Campbell*, 538 U.S. 408, 419-20, 426 (2003). Even where an award of enhanced damages is warranted in a patent case, it will rarely—if ever—be of the type that would constitutionally permit

a substantial award. In patent infringement actions, the harm is virtually always merely "economic," not "physical," and even willful patent infringement generally does not "evince[] an indifference to or a reckless disregard of the health or safety of others." *Id.* at 419. Thus, "any award" of punitive damages will be "suspect" in the absence of "target[ing]" a "financial[ly] vulnerab[le]" patentee, "repeated actions," or "intentional malice, trickery, or deceit." *Ibid.*

Situations that would support punitive damages, like copying a plaintiff's product, are quite rare in patent cases, and almost never present in the case of suits brought by non-practicing entities against technology companies. Notably, although willfulness is alleged in the "overwhelming majority" of cases, the facts that would support a punitive award under the appropriate standard seldom are: Researchers have found that "[b]arely 10%" of complaints even "*alleged* that the defendant had copied the invention, either from the patent or from the plaintiff's commercial product." Christopher A. Cotropia & Mark A. Lemley, *Copying in Patent Law*, 87 N.C. L. Rev. 1421, 1442-43 (2009) (emphasis added). Even within the rare subset of cases alleging copying, most are Hatch-Waxman Act cases wherein "generic pharmaceutical defendants *necessarily* must copy the plaintiff's active ingredient to achieve bioequivalence." *Id.* at 1444 (emphasis added). "[A]lleged copying"—much less actual copying—is practically nonexistent in cases involving "computer-related inventions and software." *Id.* at 1446.

Moreover, treble damages will rarely be justified in patent cases because the baseline compensatory awards are often so high. The "median damages

award in 2012 was $9.5 million, including three damages awards over $1 billion." Zelin Yang, *Damaging Royalties: An Overview of Reasonable Royalty Damages*, 29 Berkeley Tech. L.J. 647, 647 (2014). Compensatory awards are actually *larger* in cases brought by non-practicing entities, where circumstances justifying enhanced damages are even rarer. *Ibid.*

Because these "compensatory damages are substantial," "the due process guarantee" generally permits punitive damages only in amounts "equal to compensatory damages." *State Farm*, 538 U.S. at 425. Moreover, because Section 284 does not specify any standards governing the availability or appropriate size of enhanced damages (*see* Part II.A.2, *supra*), federal common law principles "precede[] and should obviate any application of the constitutional standard." *Exxon Shipping Co.* v. *Baker*, 554 U.S. 471, 502 (2008). Under those principles, "a 1:1 ratio" of the punitive award to the compensatory award is "a fair upper limit." *Id.* at 513. Although *Exxon Shipping* noted that Congress provided that "treble damages" *might* be available in patent cases (*id.* at 507), Congress's decision to allow the court to determine the enhanced award "up to" the treble damages limit (35 U.S.C. § 284) suggests that this Court's common-law principles should govern in all but the most exceptional cases.

E. A Court's Determination To Award Enhanced Damages Must Be Reviewed De Novo.

Finally, there must be de novo appellate review of the ultimate determination to award enhanced

damages and the size of the award. In *Exxon Shipping*, this Court rejected the argument that "appellate abuse-of-discretion review" could sufficiently constrain the trial court, explaining that abuse-of-discretion review does not provide "much promise of a practical solution to the ... problem" of outsized punitive awards. 554 U.S. at 513 n.27. This followed the Court's earlier holding that "courts of appeals should apply a *de novo* standard of review when passing on district courts' determinations of the constitutionality of punitive damages awards." *Cooper Indus., Inc.* v. *Leatherman Tool Grp., Inc.*, 532 U.S. 424, 436 (2001) (citations omitted). Because the legal standards governing such awards "take their substantive content from the particular contexts" of the cases in which they apply, de novo review is "necessary if appellate courts are to maintain control of, and to clarify, the legal principles." *Ibid.* (citation omitted).

That is equally true of enhanced damages under Section 284. The standard of objective recklessness needed to support such damages "acquire[s] content only through application"—as do all the other case-specific considerations in determining the appropriateness and size of the award. *Cooper*, 532 U.S. at 436 (citation omitted).

Moreover, the appellate court is in the best position to assess the objective merits of the defendant's noninfringement and invalidity defenses. The Federal Circuit hears every appeal of "any civil action arising under, or in any civil action in which a party has asserted a compulsory counterclaim arising under," the Patent Act. 28 U.S.C. § 1295(a)(1). That court thus has seen firsthand the spectrum of merit

across the defenses raised by accused infringers, and is in the best position to judge which of those defenses are reasonable.[5]

It is for this reason that the Federal Circuit has held that "the objective determination of recklessness, even though predicated on underlying mixed questions of law and fact, is best decided by the judge as a question of law subject to *de novo* review." *Bard*, 682 F.3d at 1007. The ultimate determination of what conduct is *objectively* reckless does not depend on credibility determinations, and it is the court of appeals' exposure to the *range* of defenses rather than the trial court's exposure to the evidence in a single case that is dispositive. Therefore, the traditional arguments in favor of a deferential standard of review are inapposite here.

Rather, for the question whether a defense was reasonable, "as a matter of the sound administration of justice, one judicial actor"—the Federal Circuit—"is better positioned than another"—the district court—"to decide the issue in question," and so this Court should not "strip" the "federal appellate court

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[5] This advantage of a de novo standard did not yet exist when, 90 years before the creation of the Federal Circuit, the Court affirmed a district court's decision not to enhance damages, remarking that "[t]he allowance of an increase of damages under the statute is a matter which rests *somewhat* in the discretion of the court." *Topliff* v. *Topliff*, 145 U.S. 156, 174 (1892) (emphasis added). *Contra* Stryker Br. 24. The other case on which petitioners rely to support their proposed abuse-of-discretion standard of review, *Birdsall* v. *Coolidge*, 93 U.S. 64 (1876), says only that the "discretion" to enhance damages rests with the judge and that "[n]o discretion is vested in the jury." *Id.* at 70. It does not mention any standard of appellate review.

of its primary function as an expositor of law." *Miller* v. *Fenton*, 474 U.S. 104, 114 (1985).

The Federal Circuit, and ultimately this Court in appropriate cases, must independently review any enhanced damages award to ensure it satisfies constitutional, statutory, and common-law limits.

CONCLUSION

This Court should hold that enhanced damages under Section 284 cannot be awarded absent objective recklessness, and that any award must comport with the limits on punitive damages, subject to plenary review by the court of appeals.

Respectfully submitted.

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